

VZCZCXRO4094
PP RUEHGR
DE RUEHSP #0931/01 2201357
ZNR UUUUU ZZH
P 081357Z AUG 06
FM AMEMBASSY PORT OF SPAIN
TO RUEHC/SECSTATE WASHDC PRIORITY 7198
INFO RUCNCOM/EC CARICOM COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 PORT OF SPAIN 000931

SIPDIS

SIPDIS

E.O. 12958: N/A
TAGS: [EAVI](#) [ECON](#) [EIND](#) [EPET](#) [ETRD](#) [TD](#)
SUBJECT: TRINIDAD ECONOMIC HIGHLIGHTS - JULY 15-31

The following were notable economic issues in T&T during the second half of July:

- [1](#)1. Alcoa clears another hurdle
- [1](#)2. Alcoa partners with Bechtel
- [1](#)3. Laqtel launching soon
- [1](#)4. IMF calls for spending cuts in T&T
- [1](#)5. T&T leads economic growth in the region
- [1](#)6. Possible privatization for BWIA

[1](#)1. Alcoa clears another hurdle

ALCOA is one step closer to starting construction of its proposed Cap-de-Ville aluminum smelter after the Environmental Management Authority (EMA) accepted the company's application for a Certificate of Environmental Clearance (CEC). Alcoa lodged its application for the CEC in March amidst numerous protests from residents of surrounding communities and environmental groups concerned about the possible health risks associated with the aluminum smelters.

In its press release, Alcoa said that acceptance of the application will result in development by the EMA of Terms of Reference for completion of a comprehensive Environmental Impact Assessment (EIA) for the proposed site, which is expected in 21 working days. Terms of Reference are essentially instructions for conducting the EIA.

The statement added that, "the EIA process requires that the Terms of Reference must be open for public review before they are finalized. This ensures that members of the local community, non-governmental organizations, and members of the public in general can determine whether or not the Terms of Reference cover all the questions that developers must answer in order to allow a proper evaluation of the proposed project's environmental and social aspects." Randy Overbey, Alcoa's president of Primary Metals Development, described the EIA as essential to fulfilling Alcoa's goal of designing a world-class facility in terms of its operational, environmental, and social performance.

[1](#)2. Alcoa partners with Bechtel

Planning beyond the EIA, ALCOA has selected Bechtel as principal partner to participate in the completion of current feasibility studies associated with its proposed aluminum smelter project at Cap-de-Ville. The feasibility studies for the construction of the aluminum smelter plant should be completed by the end of the year. In its announcement, Alcoa noted that Bechtel is currently constructing its aluminum facility in Iceland and that the Trinidad smelter would likely

incorporate similar design and environment, health and safety performance standards. Bechtel Corporation is the largest engineering company in the United States, and the sixth largest privately owned company in the USA. Among other projects, Bechtel is involved in the liquefied natural gas industry in T&T, more specifically having been a part of Atlantic LNG's Train 4 construction.

13. Laqtel launching soon

Local telecom company Laqtel recently announced to the local media that all of the necessary equipment to operate is in the country and has undergone the required testing. Nearly a year and a half after being awarded the original contract by the Telecommunications Authority of TT (TATT), Laqtel hopes to launch its mobile services by October of this year. Its prospects as a viable company within T&T are bolstered by the interconnect agreement with Telecommunications Services of T&T (TSTT) in which line to mobile and mobile to mobile calls between the networks will carry the same interconnect rate. The Laqtel officials disclosed that the only obstacle at this point is paperwork related to Laqtel's new technological partner, the Palestinian Telecommunications Company (Paltel), coming on board following a recently signed agreement for Paltel to purchase majority equity in the local telecom. Paltel, subsidiary company of Palestine Development and Investment Ltd., was formed in 1995 and offers a wide range of telecom services including mobile and fixed phone services. It recorded USD15 million profits in 2004.

PORT OF SP 00000931 002 OF 002

14. IMF calls for spending cuts in T&T

The IMF advised the GOTT to restrain its public spending during a recent Article IV consultation - an annual visit by IMF staff to collect economic and financial information and discuss with officials the TT economy's economic developments and policies. Caroline Atkinson, deputy director of the IMF's Western Hemisphere division, noted that the T&T economy was operating near its full capacity with growth of twelve percent expected this year. As a result, inflation has accelerated, real estate prices have risen, and the labor market has tightened. Further, the IMF suggested that the GOTT should improve the efficiency of the tax system, design well-targeted social programs, and strengthen the implementation of spending programs. Atkinson also noted that the GOTT's planned Heritage Stabilization Fund was an important step towards saving more money from the current, oil-driven economic boom. In response, Conrad Enill, Minister of Finance, said the legislation for the revenue stabilization fund would be debated in Parliament on August 16.

15. T&T leads economic growth in the region

Strong exports and a solid U.S. economy will help Latin American and Caribbean countries post overall economic growth of five percent in 2006, compared to 4.5 percent growth last year, according to a report by the Economic Commission for Latin American and the Caribbean, ECLAC. This would mark the fourth consecutive year of growth for the region. Jose Luis Machinea, executive secretary of the Santiago-based agency, said the

SIPDIS
region's solid economic performance resulted partly from an expected slowdown in the U.S. economy that

never materialized; the U.S. is a leading destination for the region's exports and a major source of investment. Trinidad and Tobago, with 10 percent GDP growth, and Venezuela with 8 percent growth, were expected to lead the region's economic expansion, boosted by each country's oil revenue. Overall, however, high energy prices are expected to depress the region's economies in 2007, when growth is expected to slow to 4.5 percent, according to ECLAC.

16. Possible privatization for BWIA

The GOTT is contemplating taking itself out of the airline business by selling its shares in BWIA and having the airline run as an entirely private sector entity according to the vice-chairman of the ruling People's National Movement (PNM) party at a press conference given on July 16. Responding separately, BWIA's chief executive officer Peter Davies added that he believed it was the Government's intention to fully privatize the airline. Davies stated that privatization "is in line with my mandate to provide a safe, effective, and profitable carrier which would connect the Caribbean to the rest of the world." The GOTT privatized BWIA in 1995, retaining only minority shares in the company, but provided significant financing in 2002, when the airline industry was in financial crisis.

Since then, the GOTT has injected over USD250 million for the airline's restructuring and the Cabinet recently approved an additional USD100 million to meet the equity injection in the recapitalization of the airline. BWIA's shares, however, were suspended by the Stock Exchange last November at the request of its board of directors for a three-month period. Terrence Clarke, managing director of the Securities and Exchange Commission said there was a request from the Stock Exchange to de-list the company because it had not been providing financial statements; the matter is now before the board of directors of the SEC. (NOTE: There is no clear candidate lined up to purchase BWIA this time, should full privatization take place. END NOTE.) TT Minister of Work Colm Imbert told Charge that no domestic ownership requirement was being considered. The Government simply wants to be out of the airline business.

SWEENEY